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FM AMEMBASSY ISLAMABAD
TO RUEHC/SECSTATE WASHDC 5304
INFO RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOC/DEPT OF COMMERCE WASHDC
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RUEHLH/AMCONSUL LAHORE 4891
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RUMICEA/USCENTCOM INTEL CEN MACDILL AFB FL
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RUEKJCS/SECDEF WASHINGTON DC

UNCLAS ISLAMABAD 000779

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SUBJECT: PAKISTAN'S STOCK MARKETS REACH NEW HIGHS

¶1. (U) Summary: Pakistan's stock markets have rebounded following February 18 parliamentary elections. The Karachi Stock Exchange (KSE) 100 index has touched a new high on post election stability hopes. The banking, cement and oil and gas sectors performed well, and market capitalization increased by USD 80.6 million. According to market analysts, both foreign and domestic investors purchased stocks. The KSE 100 index gained 142.24 points on February 21, closing at 14,971.94. Trading took place in 376 stocks; 197 rose, 143 declined, and 36 remained unchanged. End summary.

¶2. (U) The Karachi Stock Exchange (KSE) 100 index reached a new record high on February 21, gaining 142.24 points on the day to close at 14,971.94. The Index's previous high of 14,814.85 occurred December 26, the day before the assassination of former Prime Minister Benazir Bhutto. The market has seen back-to-back gains following the February 18 parliamentary elections, rising 564.1 points since Friday, February 15. Market analysts believe the KSE gains are sustainable, as investor confidence has increased on the hope that an end to months of political uncertainty is at hand. The KSE-100 is up 11.71 percent since the first trading day of 2008, and up 49 percent since the start of 2007.

¶3. (U) Overall market capitalization increased by Rs 5 billion (USD 80.6 million) to a total of Rs 4.565 trillion (USD 73.6 billion). On February 21, trading took place in 376 stocks, of which 197 recorded an increase in their share value and 143 recorded declines. The value of 36 stocks remained unchanged. Trading was particularly heavy in the banking and cement sectors. Ahsan Mehanti of Shehzad Chamdia Securities said that increasing oil prices in the international market, which crossed USD 100 per barrel on February 20, also triggered fresh buying of oil and gas stocks. In addition, Mehanti believes that the announcement of election results spurred investor expectations for political stability.

¶4. (SBU) Comment: The Karachi Stock Exchange's performance following February 18 elections indicates both foreign and domestic investor confidence in economic policy continuity. With 100 million consumers under age 25, increasing incomes, record corporate profitability in 2007, and a consumption-led growth model, Pakistan provides an attractive market for a wide variety of products. Stocks listed on the KSE are a bargain compared to other regional markets; recent gains and investors' considerable profits over the past several years have spurred renewed interest in Pakistan as an attractive investment destination. We will watch to see if the KSE's bullish trend continues. End comment.

PATTERSON